

Message Text

CONFIDENTIAL

PAGE 01 ROME 06910 01 OF 02 140746Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 /091 W
-----006898 140754Z /21

R 131800Z APR 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 2094
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 1 OF 2 ROME 6910

USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY

EO 11652: GDS
TAGS: EEC, EFIN, ECON, ETRD, IT
SUBJ: AN ITALIAN APPRAISAL OF EUROPEAN COUNCIL MEETING OF 7-8

REF: (A) COPENHAGEN 2332; (B) COPENHAGEN 2346; (C) COPENHAGEN 2400

BEGIN SUMMARY. MFA OFFICIALS TOLD US ON APRIL 12 THAT APRIL 7-8
COUNCIL WAS NOT DIRECTED AT ORGANIZING COMMON FRONT AGAINST U.S.,
THAT CHANCELLOR SCHMIDT WAS MAIN PROPONENT OF NEW MONETARY COOPERA-
TIVE EFFORT (WHICH MADE THIS COUNCIL SESSION THE MOST IMPORTANT ONE
IN A LONG TIME), THAT SCHMIDT INDICATED HE WOULD CONSIDER TAKING IN
MAY ADDITIONAL MEASURES TO STIMULATE A HIGHER FRG ECONOMIC GROWTH
RATE IF ANALYSIS THEN WARRANTED IT, AND THAT NEW EC MEMBER COUNTRY
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PAGE 02 ROME 06910 01 OF 02 140746Z

NATIONAL GROWTH TARGETS ARE TO BE SET BY THE TIME OF THE
BREMEN EC SUMMIT MEETING IN SUPPORT OF THE 4.5 PERCENT EC OVERALL
TARGET. END SUMMARY.

1. ECMIN AND EMBOFF MET WITH MINISTER RENATO RUGGIERO (NEWLY
APPOINTED RANKING MFA OFFICIAL RESPONSIBLE FOR EC ECONOMIC AND
MULTILATERAL TRADE MATTERS) AND COUNSELOR ROBERTO NIGIDO (

DIRECTOR OF MFA OFFICE FOR EC ECONOMIC AND GATT AFFAIRS) ON APRIL 12 TO DISCUSS RECENT EUROPEAN COUNCIL MEETING AND MULTILATERAL TRADE NEGOTIATIONS (MTN). THIS MESSAGE COVERS FIRST TOPIC ONLY. AS BOTH OFFICIALS WERE UNUSUALLY FRANK AND THE ISSUES SENSITIVE WE ASK THAT THEIR NAMES BE FULLY PROTECTED.

2. ECOMIN BROACHED SUBJECT OF COUNCIL MEETING BY REFERRING TO NEWS ARTICLE (BY FLORA LEWIS IN INTERNATIONAL HERALD TRIBUNE OF APRIL 11) WHICH CHARACTERIZED COUNCIL DISCUSSION ON MONETARY AND ECONOMIC/SOCIAL MATTERS AS STRATEGY SESSION FOR DEFENSE AGAINST "VAGARIES" OF U.S. ECONOMIC POLICIES. RUGGIERO, WHO WAS MEMBER OF ITALIAN DELEGATION AT COPENHAGEN, STRONGLY DENIED THAT SESSION WAS ANTI-U.S. IN ANY SENSE AND SAID FRG CHANCELLOR SCHMIDT HAD STATED IN CLOSED SESSION THAT HIS PROPOSALS WERE NOT DIRECTED TOWARDS ORGANIZING A COMMON FRONT AGAINST THE U.S. RUGGIERO SPECULATED THAT NEWS STORY MAY HAVE HAD ORIGIN IN REMARKS TO PRESS BY TINDERMANS AFTER THE HEADS OF GOVERNMENT MEETING.

3. RUGGIERO STATED THAT FULL COUNCIL INCLUDING FOREIGN MINISTERS HAD MET ON ECONOMIC MATTER ONLY FROM 3:00 P.M. UNTIL 5:00 P.M. AND THAT "INFORMAL" SESSION (WITH NO OFFICIAL AGENDA OR RECORD) RESTRICTED TO HEADS OF GOVERNMENT AND JEKINS WENT ON UNTIL 1:00 A.M. THE NEXT DAY. HIS ACCOUNT WAS, THEREFORE, BASED ON WHAT PRIME MINISTER ANDREOTTI HAD TOLD HIM DIRECTLY AND WHAT HAD REACHED HIM INDIRECTLY. ACCORDING TO RUGGIERO, SCHMIDT HAD CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 06910 01 OF 02 140746Z

SOUGHT AGREEMENT ON SUCH A RESTRICTED MEETING TWO MONTHS AGO. SINCE SOME COUNTRIES RAISED OBJECTIONS, JORGENSEN ARRANGED "PARALLEL MEETINGS" OF HEADS OF GOVERNMENT AND FOREIGN MINISTERS WHICH WERE SUPPOSED TO TAKE PLACE NEAR EACH OTHER SO THAT ONE OR MORE FOREIGN MINISTER COULD BE CALLED IN TO PARTICIPATE AS NEEDED. IN FACT, HOWEVER, THE MEETINGS WERE QUITE SEPARATE; THE FOREIGN MINISTERS AGENDA WAS NON-CONTROVERSIAL AND THEIR MEETING BROKE UP EARLY.

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PAGE 01 ROME 06910 02 OF 02 140745Z
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C O N F I D E N T I A L SECTION 2 OF 2 ROME 6910

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4. RUGGIERO REPORTED THAT IN HEADS OF GOVERNMENT SESSION SUBJECT OF NEW MOVES IN MONETARY FIELD WAS INTRODUCED BY GISCARD, WHO AFTER FEW BRIEF COMMENTS IN FAVOR OF NEW MEASURES GAVE FLOOR TO SCHMIDT. ACCORDING TO RUGGIERO, SCHMIDT MADE EXTENSIVE PRESENTATION IN FAVOR OF STRENGTHENED MONETARY COOPERATION, FIRST ON AN EC BASIS AND THEN OPEN TO ADHERENCE BY OTHER COUNTRIES. RUGGIERO CHARACTERIZED APRIL 7-8 COUNCIL AS THE MOST IMPORTANT ONE IN A LONG TIME BECAUSE IT WAS SCHMIDT WHO HAD STRONGLY ADVOCATED NEW MEASURES (THOUGH RUGGIERO NOTED THAT ANDREOTTI HAD TOLD HIM THAT SCHMIDT HAD ADVANCED PROPOSALS AS HIS OWN PERSONAL ONES) AND THAT HIS PROPOSALS HAD THE SUPPORT OF GISCARD AND JENKINS. RUGGIERO SAID THAT NO FIRM DECISIONS WERE TAKEN IN THIS MEETING, BUT THAT A FOUR-POINT CONFIDENTIAL

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PAGE 02 ROME 06910 02 OF 02 140745Z

SENSUS ON MONETARY MATTERS WAS ACHIEVED AS FOLLOWS:

(A) EC MEMBER COUNTRIES WOULD NOT BE ASKED TO JOIN IN NEW "SNAKE," BUT, BECAUSE OF INCREASING DIVERGENCE OF THEIR EXCHANGE RATE IN WAKE OF DOLLAR DEPRECIATION, THEY WOULD TAKE MEASURES TO MAKE THEIR EXCHANGE RATE POLICIES INCREASINGLY MORE COMPATIBLE.

(B) EC WOULD HAVE TO INTERVENE MORE ACTIVELY IN CURRENCIES.

(C) EUROPEAN MONETARY COOPERATION FUND WOULD BE USED FOR SUCH INTERVENTION.

(D) THERE WOULD BE GREATER USE OF EUROPEAN UNIT OF ACCOUNT IN EC ACCOUNTING AND TRANSACTIONS.

5. ACCORDING TO RUGGIERO, SCHMIDT'S ACCEPTANCE AND ADVOCACY OF THE LAST POINT WAS MORE THAN JENKINS HAD EXPECTED. RUGGIERO SAID MONETARY

PROPOSALS WOULD BE DISCUSSED AT MINISTER OF FINANCE COUNCIL MEETING ON MONDAY, APRIL 17.

6. IN RUGGIERO'S READ OUT, THE DISCUSSION AND CONSENSUS ON THE ECONOMIC AND SOCIAL SITUATION AND THE 4.5 PERCENT EC GROWTH TARGET EMERGED IN LARGE PART, AS THE QUID PRO QUO FOR THE CONSENSUS ON MONETARY OBJECTIVES. WHILE THE FRG WAS HEAVILY CRTICIZED FOR FAILING TO MEET ITS OWN GROWTH TARGET RUGGIERO SAID SCHMIDT HAD VEY ABLY DEFENDED FRG ECONOMIC POLICIES. HE WAS ABLE TO POINT TO THE LARGEST FEDERAL BUDGETARY DEFICIT AND LOWEST INTEREST RATES IN HE COUNTRY'S RECENT HISTORY. THESE FISCAL AND MONETARY MEASURES HAD NOT PRODUCEDADEQUATE RESULTS AS YET, BUT SCHMIDT HAD STUCK TO THE POSITION THAT IT WAS TOO SOON TO JUDGE THEM AND THAT FURTHER MEASURES WOULD NOT BE TAKEN BEFORE MAY. I F GROWTH RATE DID NOT SHOW SIGNS OF IMPROVEMING, SCHMIDT INDICATED, ACCORDING TO RUGGIERO, THAT THE FRG WOULD TAKE FURTHER MEASURES, THOUGH SCHMIDT WAS SKEPTICAL THAT THEY WOULD BE EFFETIVE AND CONCERNED THAT THEY WOULD BE TOO INFLATIONARY.

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PAGE 03 ROME 06910 02 OF 02 140745Z

7. IN RESPONSE TO A QUESTION, RUGGIERO CONFIRMED THAT EC MEMBER COUNTRY GROWTH TARGETS WOULD BE DEVELOPED TO ARRIVE AT THE OVERALL TARGET OF 4.5 PERCENT. HE SAID THIS WOULD TAKE SOME TIME TO ACCOMPLISH AS EACH MEMBER GOVERNMENT NEEDED TO REVIEW ITS NATIONAL PLANS, FORECASTS AND POLICIES. HE INDICATED, HOWEVER, THAT BY THE BREMEN SUMMIT IN JULY THE CONTRY TARGETS WOULD BE WSTABLISHED.GARDNER

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